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Bangladesh

Cotton and Products Annual

2017

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Report Highlights:

MY 2017/18 raw cotton production is projected at 130,000 bales on favorable weather and expansion of American Upland cotton planted area; imports are projected to rise by 6.2 million bales on strong demand for diversified garment products and trade expansion with new non-traditional business partners.

Commodities:

Cotton

Production:

MY 2016/17 planted area levels are unchanged and production revised up by 5 percent to 125,000 bales. MY 2017/18 cotton planted area forecast is unchanged at 43,000 hectares (HA), but production is forecast to rise to 130,000 bales as cotton cultivation expands the area of cultivation of the long-staple American Upland variety.

Bangladesh primarily produces American Upland (*Gossypium hirsutum*) and Tree (*Gossypium arboreum*) cotton that represent 95 and five percent of total production, respectively. Upland cotton is cultivated in the southwestern, northern, and central region, and tree cotton is grown in three southeastern hill districts. The average length of Upland cotton is greater than 28 millimeters (mm); Tree cotton is less than 10 mm. Contacts believe American Upland cotton will be planted in hilly areas instead of other non-food crops.

Bangladesh Cotton Development Board (CDB) received approval from the National Committee on Biosafety to initiate a contained trial of eight Bt Cotton hybrid varieties. Mahyco Seed Company Ltd. is supplying Bt cotton seed containing Bollgard II double Bt genes Cry1Ac and Cry2Ab. CDB is planning to start trials during the next cotton season (July 2017). Previously the CBD found that field trials conducted on Bt Cotton variety Bt hybrid HSC-4 produced unsatisfactory results.

Value Added Cotton:

MY 2017/18 yarn and fabric production levels are both forecast to rise slightly by around 0.5 and 2.3 percent to 735,000 tons and 4.5 billion meters, respectively, as domestic demand holds steady while exports rise to meet increased demand for value-added textiles. MY 2016/17 yarn and fabric production estimates are unchanged at 730,000 tons and 4.4 billion meters. Market sources report that competitive prices have attracted more foreign buyers to purchase Bangladesh fabric. Reportedly, some millers have increased production capacity to satisfy higher domestic and international demand.

Bangladesh currently has 424 spinning mills, 794 textile weaving mills, 241 dyeing and finishing mills, and a total of over 6,500 registered and over 500 un-registered garment and textile factories. Sixty-five percent of these factories are located in Dhaka district. A total of over 4,300 Bangladesh Garment Manufacturers and Exporters Association (BGMEA) members employ some four million workers, of which about 80 percent are women.

Textiles as well as other energy-intensive industries struggle to control production costs as expenditures for gas and electricity rise, which is in part driven by increased tariffs. The Bangladesh Energy Regulatory Commission (BERC) increased the Liquid Natural Gas tariff to BDT 8.36 (\$0.11) from BDT 4.18 per cubic meter in MY 2015/16. They also raised gas tariffs by 130 percent for generators and 60 percent for general industrial purposes in MY 2016/17.

Industry sources noted that some millers are exploring more energy efficient solutions. For example, 67 Ready Made Garment (RMG) companies received Leadership in Energy and Environment Design (LEED) certification from the U.S. Green Building Council (USGBC); LEED-certified buildings use less water and energy and reduce greenhouse gas emissions. In continuing this positive trend, an additional 280 companies have filed applications for LEED certification.

As of February 2017 RMG export earnings were approximately \$18.6 billion in FY 2016/17, up almost three percent (Table 11) from last year. According to the Bangladesh Bank, since 2008 the GOB has provided a cash incentive of 5 percent of the FOB export value for export-oriented RMG factories. In the last six years, this cash incentive may have helped Bangladesh RMG exports become price competitive in new markets such as Russia, India, China, Japan, Turkey, Brazil, Malaysia, South Africa, South Korea, Saudi Arabia, Australia, and New Zealand.

Industry contacts also report that new types of readymade garments are making it onto export markets, including high-end apparels like active-wear and outerwear, lingerie, suits/blazers and several types of denim. Reportedly brands such as Hugo Boss, Nike, Tommy Hilfiger, Adidas, Puma, G-Star, Diesel, Ralph Lauren, DKNY, Mango, Calvin Klein, and Benetton have all increased sourcing from Bangladesh.

Consumption:

MY 2016/17 raw cotton consumption is revised to 6.2 million bales on expectations of higher demand for export-oriented end products. MY 2016/17 yarn and fabric consumption are unchanged at 1.02 MMT tons and 7.3 billion meters. MY 2017/18 raw cotton consumption is projected to increase to 6.3 million bales on stronger sales of RMG and other value added products in domestic and foreign markets. MY 2017/18 yarn and fabric consumption is expected to rise to 1.03 MMT and 7.4 billion meters on strong international demand due to population growth, urbanization, and disposable income growth. Demand for quality cloths also increases in the domestic market as wages and living standards rise. Since China is moving toward high-tech industries and away from RMG, international buyers are seeking other suppliers, which offer opportunities for Bangladesh to increase apparel exports. In fact, media news reported that Bangladesh has identified 11 emerging countries as new potential markets for one billion USD worth of garments. Exports to non-traditional or developing markets are reportedly part of a larger strategy to reach an export target of \$50 billion by 2021.

Trade:

MY 2016/17 imports are revised to 6 million bales on anticipated stronger international demand (see Consumption section). Gradual development of the upstream supply chain, including spinning, dyeing, finishing, weaving and printing creates more demand for cotton to meet required supply to the RMG industry. MY 2017/18 imports are projected to rise to 6.2 million bales on expectations of increased RMG exports as described above. Nearly 80 percent of garments made in Bangladesh are sourced from cotton; the rest are made from viscose, polyester and other materials. Local spinners supply 90 percent of raw materials for knitwear and 40 percent for the woven garments sector.

Policy:

The GOB Ministry of Planning has approved a US\$ 70 million plan for Bangladesh Jute Mill Corporation (BJMC) to establish a jute textile plant which will make denim fabrics from a jute and cotton blend. In September 2015, the GOB published Export Policy 2015-18, which focuses on capacity building, improving quality standards, product diversification, and market expansion. The policy identified 12 manufacturing areas as the highest priorities, including the RMG, leather, jute, agro-processed, home textile, and terry towel sectors.

The RMG sector has set itself a target of \$50 billion in annual exports by 2021. Hurdles to cross enroute include: ensuring occupational safety and regulatory compliance; establishing and protecting labor rights; unreliable gas and electricity supply; inefficient port services and transportation; changing market demand; currency devaluation; reliance on foreign expertise; and international political shifts. In addition, production cost has risen by 17 percent over the past two years even as world market prices for apparel become more competitive. Nevertheless, Bangladesh has a sizable value chain from which to squeeze efficiencies: in FY 2015-16 Bangladesh manufacturers' percentage of value added to exports reached above 75%.

Table 1. Bangladesh: Update GOB policies for the primary textile sector (PTS)

Import duty on Flux Fiber and Spandex/Electromatics has been reduced to 5 percent from 10 percent
Import duty on Stripping Chemical has been reduced to 15 percent from 25 percent
Import duty on pre-fabricated building materials for export-oriented industry has been reduced to 5 percent
Import duty on firefighting equipment for export oriented textile mills has been reduced to 5 percent
Provision of Minimum Tax has been abolished
VAT exemption has been provided for the service sector of Dyeing-Printing-Finishing and Calendaring of Gray fabrics
Incentives for Export Sector have been retained and an allocation of Tk 4500 crores have been made.
Single VAT Registration has been introduced in place of separate/individuals VAT Registration for industrial enterprises located at a place and owned by single owner
GOB reduced tariff for river port Pangaon dated October 10, 2016
GOB ordered mandatory importing of at least 40% of required cotton and textile machineries through Pangaon ICT.

Source: BTMA

In 2013, the Government of Bangladesh (GOB) approved *Bacillus thuringiensis* (Bt) eggplant, and is currently supporting research for a variety of other commodities such as a late-blight-resistant potato. The GOB promulgated the Bangladesh Biosafety Rules (BR) 2012 and Biosafety Guidelines of Bangladesh (BG) 2007, which create a regulatory framework and approval process for all genetically engineered (GE) products developed domestically or by a third country. All GE products, including raw cotton (or cotton lint), need to be approved before they can be imported, sold commercially, or cultivated in Bangladesh. For more information, please see the GAIN report: *Bangladesh Agricultural Biotechnology Annual 2016*.

A draft of "The Textiles Act 2017", if approved, will require new textile and garment factories to obtain license from the Textile Directorate. This act would give the Textile Directorate authority to uphold raw material quality, including for colors and chemicals. The Ministry of Textiles and Jute passed "The

Textile Industry Act 2015”, which requires compulsory registration for all garment and textile mills. This Act also authorized the Directorate of Textiles to oversee, monitor, and coordinate all government and private stakeholders to ensure labor safety and environmental protection. The Textile Industry Act 2015 partially complements the National Labor Rules 2015, which gives special emphasis to workplace safety and workers’ rights. For more information, please see the GAIN report: Cotton and Products Annual 2015.

Various incentives are offered by the Government of Bangladesh to develop the RMG sector and improve worker safety. Import tariffs are exempted for fire extinguishing equipment, energy-efficient electronics, some infrastructure, and raw materials for polyester yarn. A fund for safety remediation of the RMG sector is supported jointly by GOB, International Finance Cooperation (IFC), USAID, France Development Agency (AFD) and Japan International Cooperation Agency (JICA). With preferred interest rates (6-7 percent), the industry can afford financing to improve safety measures as per the corrective action plans (CAPs) recommended by the GOB-ILO, Accord and Alliance. About 70 percent of such remediation is completed among the Fire and Building Safety Accord-affiliated garments industry; about 65 percent is completed for industry under the Bangladesh Workers Safety Alliance.

Ministry of Finance is implementing the Skill of Employment Investment Program with cooperation of BGMEA (Bangladesh Garment Manufacturers and Exporters Association). The program was launched in 2015 and is expected to train nearly 44,000 workers by 2018.

Beginning March 1, 2016 a new software application has enabled BGMEA to issue certificates of origin (COO) at reduced cost. BGMEA also expanded its warehousing facilities by 8000 Square feet at the import complex of the international airport, and it increased its fund from US\$15 million to 20 million to support loans to exporters.

GOB also is offering special incentives in container shipment through the inland container route of Chittagong-Pangaon-Chittagong; incentives of up to 70% of shipment cost are offered to encourage use of these alternative shipping channels.

Marketing:

Bangladesh is almost entirely dependent on raw cotton imports. More than 40 percent of imported raw cotton and 80 percent of imported yarn and fabrics are used by spinning mills and the RMG sector to meet export demand. Makers of woven garments can add value ranging from 35 to 40 percent; value added in knitwear is even higher, but exports of woven garments earn a higher amount of foreign currency.

Bangladesh has no import duties for polyester, viscose, acrylic, synthetic, and modacrylic staple fibers. The duty for textile chemical dyes is 5 percent. Export-oriented RMG factories can import yarn and fabric under a duty-free incentive, which reimburses all customs duties paid on imported yarn and fabric (but not taxes such as the VAT and Advanced Income tax). Imports of all textile raw materials, including fabrics, have no quotas.

Table 2. Bangladesh: Area and Production of Raw Cotton

Year*	Area Harvested (Hectare)	Production	
		Bales**	Tons
2005/06	49,770	77,000	14,000
2006/07	42,100	70,530	12,824
2007/08	28,707	42,380	7,705
2008/09	32,600	50,600	9,200
2009/10	31,500	66,000	12,000
2010/11	33,500	80,000	14,545
2011/12	36,000	103,000	18,727
2012/13	39,000	129,000	23,455
2013/14	42,000	144,000	26,182
2014/15	42,700	152,534	27,675
2015/16	42,800	153,280	27,869
Source: Cotton Development Board (CDB), Government of Bangladesh			
*Fiscal Year (July-June)			
**1 bale = 400 lb			

Table 3. Bangladesh: Production and Consumption of Yarn and Fabric

Years*	Production		Consumption**	
	Yarn (1,000 tons)	Fabrics (million meters)	Yarn (1,000 tons)	Fabrics (million meters)
2006/07	550	2,850	720	5,200
2007/08	602	3,000	760	5,600
2008/09	640	3,250	820	5,800
2009/10	731	3,450	880	6,000
2010/11	694	3,700	940	6,150
2011/12	613	3,950	960	6,200
2012/13	688	4,200	980	6,500
2013/14	1,166	6,123	1,461	6,585
2014/15	1,115	5,850	1,394	6,366
Sources: Bangladesh Textile Mills Association (BTMA)				
*Fiscal Year (July-June)				
**Consumption=Production + Import.				

Table 4. Bangladesh: Calendar Year 2015 Textile Industry Overview

Number of Mills that are BTMA Members		1,459
A. Textile Spinning Mills/Yarn Manufacturing Mills	424	
Synthetic Spinning Mills	17	
Acrylic Spinning Mills	8	
Installed Capacity		
Spindle Capacity		11.65 million
Rotor / Open-end		0.257 million

Annual Yarn Spinning Capacity (Subject to 100% Capacity Utilization)		2.4 billion kg
B. Number of Textile Weaving Mills/Fabric Manufacturing Mills	794	
Woven Mills	646	
Denim Mills	30	
Home Textile Mills	22	
Knit Fabrics Mills	93	
Installed Capacity (Shuttle-less Loom & Shuttle Loom)		51,000 kg
Annual Woven Fabric Manufacturing Capacity		3.58 billion meters
D. Number of Dyeing-Printing-Finishing Mills (Textile Product Processors)	241	
Installed capacity		
Annual Fabric Processing Capacity		2.795 billion meters
Woven Dyeing		1.92 billion meters
Yarn Dyeing		315 million kg
Knit Dyeing		560 million kg
Raw Material Requirements		
Raw Cotton	10.5 million bales (maximum processing capacity) (480 lbs each bale)	
Raw-Cotton Import / Consumed	6.32 million bales (App)	
Cotton Import 2015-16 (June-July)	1,375,257 MT	
Polyester Staple Fiber	80,000 MT	
Viscose Staple Fiber	30,000 MT	
Raw Cotton Source	USA, Australia, CIS, Russia, India, Pakistan, China, Central America, and East and West Africa.	
Type of Raw Cotton Imports	1-1/8", 1-1/16", 1-32", 1-5/32", other	
Other Raw Material Used	<ul style="list-style-type: none"> • Polyester, Viscose and Acrylic Staple Fiber, and Chips and Pet-Chips, • Cotton Waste • Yarn 5-10 counts (both for knit and woven) • Synthetic and Filament Yarn • Other Cotton and Knit Fabrics 	

Source: Bangladesh Textile Mills Association (BTMA)

Table 5. Bangladesh: Primary Textile Sector (Spinning) Capacity and Growth

Calendar Year	No. of Mills	Spindle Capacity (kg)	Growth in No. of Mills	Growth in Spindle Capacity
2006	260	5,500,000	8.7%	11.39%
2007	283	6,000,000	8.85%	9.09%
2008	341	7,200,000	20%	20%

2009	350	7,600,000	2.6%	5.6%
2010	373	8,700,000	6.6%	14.5%
2011	392	9,600,000	5.6%	10.3%
2012	392	9,800,000	-	2.1%
2013	394	9,800,000	0.51%	-
2014	407	10,300,000	3.3%	5.1%
2015	413	11,050,000	1.47%	7.28%
2016	424	11,650,000	2.66%	8.28%

Source: Bangladesh Textile Mills Association (BTMA)

Table 6. Bangladesh: Position of the country in world RMG trade

Country	Top exporting ranking	Share in world trade (%)	RMG share in total export
Bangladesh	2	6.4	82.8
India	7	3.5	5.2
Pakistan	13	1.2	19.0
Sri Lanka	14	1.2	44.8
China	1	41	7.1

Source: Stitches to Riche (World Bank Report)

Table 7. Bangladesh: RMG Export Sales

Sub-Sectors (USD millions)	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	FY 2014/15	FY 2015/16
Knitwear	\$6,483	\$9,482	\$9,486	\$10,476	\$12,050	\$12,427	\$13,355
Woven	\$6,013	\$8,432	\$9,603	\$11,040	\$12,442	\$13,065	\$14,739
Home Textiles	\$403	\$789	\$906	\$729	\$793	\$804	\$ 753
Specialized Textiles	\$186	\$165	\$139	\$140	\$109	\$106	\$ 109
Total	\$13,085	\$18,868	\$20,134	\$22,385	\$25,394	\$26,402	\$ 28,956
Earning Growth	1.34%	44.2%	6.71%	11.18%	13.44%	3.97%	9.67%

Source: Bangladesh Textile Mills Association (BTMA) and Bangladesh Knitwear Manufacturer and Exporter Association (BKMEA)

*Fiscal Year (July-June)

Table 8. Bangladesh: Raw Cotton and Other Textile Duty Structure

Products	Custom Duty	SD	VAT	Adv. Income Tax	Regulatory Duty	Advance Trade VAT
Raw Cotton	0	0	0		0	0
Man-made Fibres	5%	0%	15%	5%	0	4%

Yarn	10%	0	15%	5%	0	4%
Fabric	25%	20%	15%	5%	4%	4%
Textile dyes-chemicals	5%	0	15%	5%	0	4%

Source: National Board of Revenue (NBR), Government of Bangladesh

Table 9. Bangladesh: RMG Sector Growth and Consolidation

Year	Number of garment factories	Employment in million workers
2000-01	3480	1.8
2001-02	3618	1.8
2002-03	3760	2
2003-04	3957	2
2004-05	4107	2
2005-06	4220	2.2
2006-07	4490	2.4
2007-08	4743	2.8
2008-09	4925	3.5
2009-10	5063	3.6
2010-11	5150	3.6
2011-12	5400	4
2012-13	5876	4
2013-14	4222	4
2014-15	4296	4
2015-16	4328	4

Source: BGMEA

Table 10. Bangladesh: RMG Exports to the World

Months (USD millions)	Woven	Woven	Growth Rate	Knit	Knit	Growth Rate	Total Export	Total Export	Growth Rate
	2014-15	2015-16		2014-15	2015-16		2014-15	2015-16	
July	1,210.08	1,087.79	-10.11	1,307.9	1,127.37	-13.8	2,517.98	2,215.16	-12.03
August	8,15.34	1,138.68	39.66	898.44	1,131.44	25.91	1,713.78	2,270.12	32.46
September	937.39	962.65	2.71	1,064.12	991.55	-6.82	2,001.51	1,954.2	-2.36
October	731.53	878.82	20.13	787.96	920.31	16.8	1,519.49	1,799.13	18.4
November	999.23	1,158.09	15.9	939.36	1,066.31	13.51	1,938.59	2,224.4	14.74
December	1,269.23	1,477.5	16.41	1,063.8	1,195.32	12.36	2,333.03	2,672.82	14.56
January	1,303.77	1456	11.68	1,116.1	1169.7	4.8	2,419.87	2,625.7	8.51

February	1,146.7 2	1,324.6 9	15.52	960.62	1,041.6 6	8.44	2,107.3 4	2,366.3 5	12.29
March	1144.21	1281.54	12.00	930.58	1030.91	10.78	2074.79	2312.45	11.45
April	1000.54	1133.62	13.30	938.94	1063.14	13.23	1939.48	2196.76	13.27
May	1199.27	1264.04	5.40	1159.71	1182.74	1.99	2358.98	2446.78	3.72
June	1307.40	1575.32	20.49	1259.26	1435.22	13.97	2566.66	3010.54	17.29
Total	13064.6 1	14738.7 4	12.81	12426.7 9	13355.4 2	7.47	25491.4 0	28094.1 6	10.21

Source: BGMEA

Table 11. Bangladesh: RMG Exports to the World

Months	Woven	Woven	Growt h Rate	Knit	Knit	Growt h Rate	Total Export	Total Export	Growt h Rate
(USD millions)	2015- 16	2016- 17		2015- 16	2016- 17		2015-16	2016-17	
July	1087.7 9	1040.3 5	-4.36	1127.3 7	1077.2 3	-4.45	2215.16	2117.58	-4.41
August	1138.6 8	1330.6 8	16.86	1131.1 9	1395.6 1	23.38	2269.87	2726.29	20.11
September	962.65	894.08	-7.12	991.55	927.95	-6.41	1954.2	1822.03	-6.76
October	878.82	1021.1 9	16.2	920.31	1134.3 5	23.26	1799.13	2155.54	19.81
November	1158.0 9	1212.3 1	4.68	1066.3 1	1097.6	2.93	2224.4	2309.91	3.84
December	1477.5	1397.5 1	-5.41	1195.3 2	1180.8 4	-1.21	2672.82	2578.35	-3.53
January	1456	1456.8 1	0.06	1169.7	1246.7 2	6.58	2625.71	2703.53	2.96
February	1324.6 9	1209.7	-8.68	1041.6 6	1015.9 5	-2.47	2366.35	2225.65	-5.95
Total	9484.2 2	9562.6 3	0.83	8643.4 1	9076.2 5	5.01	18127.6 4	18638.8 8	2.82

Table 12. Bangladesh: Share (%) of five basic products in Bangladesh's total RMG Exports

Year	Shirts (%)	Trousers (%)	Jackets (%)	T-Shirt (%)	Sweater (%)	Total (%)
2009-10	8	24	11	25	14	83
2010-11	9	23	11	26	14	83
2011-12	9	25	12	25	12	82
2012-13	9	24	12	24	12	82
2013-14	9	23	12	24	12	80
2014-15	9	22	12	24	11	79
2015-16	8	22	13	22	11	77

Table 13. Bangladesh: Special incentive for internal container handling through Chittagong-Pangaon-Chittagong river route

Cost Elements	20' (15T)	40'	40'H	20'E	40'E
Crane charge	276	414	414	138	207
Loading charge	517.5	767.83	767.83	258.75	420.90
Berth operator charge	378	378	378	324	324
Ship's freight	9480	18170	22120	5925	11850
Berth operator charge	378	378	378	324	324
Discharging charge	517.5	767.83	767.83	258.75	420.90
Crane charge	276	414	414	138	207
Subtotal	11823	21289.65	25239.65	73665.5	13753.8
Pangaon incentive	-2760	-4140	-6210	-1405	-2111
Total in BDT	9063	17149.65	19029	5961.5	11642.8
Total in USD	\$114.72	\$217.08	\$240.88	\$75.46	\$147.38

Production, Supply and Demand Data Statistics:

Table 14. Bangladesh: Commodity, Cotton, PSD

(Area in Thousand Hectares, Quantity in 1,000 480 lb. bales)

<i>Cotton</i>	2015/2016		2016/2017		2017/2018	
<i>Market Begin Year</i>	Aug 2015		Aug 2016		Aug 2017	
<i>Cotton Bangladesh</i>	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	43	0	43	0	43
Area Harvested	43	43	43	43	0	43
Beginning Stocks	1331	1331	1540	1140	0	1055
Production	119	119	120	125	0	130
Imports	6200	5800	6400	6000	0	6200
MY Imports from U.S.	0	199	0	250	0	300
Total Supply	7650	7250	8060	7265	0	7385
Exports	0	0	0	0	0	0
Use	6100	6100	6700	6200	0	6300
Loss	10	10	10	10	0	10
Total Dom. Cons.	6110	6110	6710	6210	0	6310
Ending Stocks	1540	1140	1350	1055	0	1075
Total Distribution	7650	7250	8060	7265	0	7385
Stock to Use %	25.25	18.69	20.15	17.02	0.00	17.06
Yield	603	603	608	633	0	658

